

COAST LIFE SUPPORT DISTRICT

Audited Basic Financial Statements

For Years Ended June 30, 2015 and 2014

COAST LIFE SUPPORT DISTRICT

Audited Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

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Independent Auditor's Report

The Board of Directors of the
Coast Life Support District
Gualala, California

We have audited the accompanying financial statements of the business-type activities of Coast Life Support District as of and for the years ended June 30, 2015 and 2014 and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. According we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Coast Life Support District, as of June 30, 2015 and 2014, and the changes in its financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Required Supplementary Information on pensions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

Coast Life Support District

May 17, 2016

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testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Coast Life's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Collins Accountancy Company", is written over the printed text of the signature block.

Collins Accountancy Company

Lincoln, California

May 17, 2016

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management of the Coast Life Support District (“the District”, or “CLSD”) offers readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the Fiscal Year ending June 30, 2015 and 2014 (FY2015 and FY2014).

Financial Highlights

I. FY 2015 Shows a Major Increase in Ambulance Transports Over Previous Years

Until this past fiscal year, CLSD has had a consistent nine-year average of 385 ambulance transports per year. In FY15 however, transports increased from 376 (FY14) to 493. The volume of transports increased by 31% from the previous year. FY 2015 ambulance billings were \$825,789 as contrasted with \$689,731 in FY 14.

	<u>FY2015</u>	<u>FY2014</u>	<u>FY2013</u>
Number of ambulance transport	493	376	390

II. A New Revenue Source Was Added for FY 15

CLSD was able to collect \$84,450 from the Intergovernmental Transfer (IGT) fund resulting in Partnership Health Plan paying public ambulance providers additional Medi-Cal revenues to offset previously unreimbursed costs for serving Medi-Cal plan members. It is reported that this revenue source will also be available in FY 16 but the amount of the funds is yet to be determined.

III. Delays Occurred in Ambulance Billings and a Higher Accounts Receivable Resulted

Financial management at CLSD in FY 15 was impacted by a number of key changes that delayed the billings of patient charges. These changes were: staff retirement; an irreversible billing software malfunction; and outsourcing of the billing process. Further delay was encountered (3 months) for Medicare to process the reassignment of the CLSD National Provider Identifier (NPI) to the outsourced billing services. These changes resulted in a seven-month delay billing for ambulance transports.

This issue shows up in financial terms in the Statement of Net Position which reports a significant increase in the accounts receivable for FY 15 versus the previous FY 14 (\$793,320 versus \$168,384).

It should be noted, however, that a robust internal billing process was initiated in May of 2015 to provide Wittman Enterprises more timely and comprehensive information for transports to be invoiced. This change coupled with the Wittman’s expertise in

MANAGEMENT'S DISCUSSION AND ANALYSIS

ambulance billing should have a positive impact on the percentage of monies which cannot be collected as well as the average collection per transport billed.

IV. Revenues and Costs Increased Because of a Significant Rise in Patient Transports

Ambulance billings jumped significantly in FY 15 versus FY 14 due to the major increase in ambulance transports. Costs also increased, primarily in salaries and vehicle expenses. The Basic Life Support ambulance (B121) was used much more extensively on FY 15 to handle this large increase in transports. Salaries were \$787,588 in FY 15 versus \$738,594 in FY 14.

V. Billings for Medicare-reimbursed Transports to RCMS Were Suspended

While establishing the account with Wittman Enterprises, a question arose about invoicing ambulance transports to Redwood Coast Medical Services (RCMS) when Medicare is the payer. RCMS is recognized by the state of California and the local governing Emergency Medical Services agency as an Interim Stabilization and Triage Center that can accept ambulance traffic. However, per Wittman, Medicare does not recognize RCMS as a hospital (the mandate for billing). After consulting legal counsel and conducting a six-year audit, a \$22,957.63 overpayment of funds was submitted to Medicare. This also resulted in placing a total of 50 FY 15 ambulance transports into limbo while an appeal with Medicare is pending to change RCMS' designation status. Staffing expenses continued for these transports while not reimbursable.

VI. A Major Liability Related to Pension Funding was Added to the Balance Sheet

The Statement of Net Position now shows a net pension long term liability of \$507,883 that was not reported in previous years. The Governmental Accounting Standards Board now requires this liability to be shown on the CLSD balance sheet.

The financial impact for FY 15 is a major reduction in Unrestricted Reserves. The FY 14 reserves were \$821,932 compared to the new and adjusted reserve amount for FY 15 of \$599,075. This is a \$222,857 decrease.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: *Basic Financial Statements*, and *Notes to the Financial Statements*. This report also contains other supplementary information in addition to the basic financial statements themselves.

1. *Basic Financial Statements*: the basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.
 - a. The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets and equity. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
 - b. The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).
 - c. The *Statement of Cash Flows* presents the cash flows resulting from operating, non-capital financing, capital and related financing and investing activities, with a reconciliation to operating income (loss).
 - d. The basic financial statements can be found on pages 10-13 of this report.
2. *Notes to the Financial Statements*. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 14-36 of this report.
3. *Other Information*. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's funding and obligations for CalPERS. Required supplementary information can be found on pages 37-40 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED STATEMENTS OF NET POSITION

	<u>FY2015</u>	<u>FY2014</u>	<u>FY2013</u>
<u>Assets and Deferred Outflows</u>			
Assets			
Current assets	\$1,444,513	\$965,066	\$874,294
Capital assets	<u>655,215</u>	<u>675,219</u>	<u>698,992</u>
Total Assets	<u>\$2,206,693</u>	<u>\$1,640,285</u>	<u>\$1,573,286</u>
Deferred Outflows of Resources	106,965	--	--
Total Assets and Deferred Outflows	<u>\$2,206,693</u>	<u>\$1,640,285</u>	<u>\$1,573,286</u>
<u>Liabilities and Deferred Inflows</u>			
Liabilities			
Current liabilities	\$287,362	\$143,134	\$145,663
Long-term liabilities	<u>507,883</u>	--	--
Total liabilities	<u>\$795,245</u>	<u>\$143,134</u>	<u>\$145,663</u>
Deferred Inflows of Resources	157,158	--	--
Total Liabilities and Deferred Inflows	<u>\$952,403</u>	<u>\$143,134</u>	<u>\$145,663</u>
<u>Net position</u>			
Net investment in capital assets	\$655,215	\$675,219	\$660,339
Unrestricted	<u>599,075</u>	<u>821,932</u>	<u>767,284</u>
Total net position	<u>\$1,254,290</u>	<u>\$1,497,151</u>	<u>\$1,427,623</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>FY2015</u>	<u>FY2014</u>	<u>FY2013</u>
<u>Revenues and other income</u>			
Property taxes	\$1,548,678	\$1,120,268	\$1,112,776
Ambulance transports, net of uncollectible accounts	825,789	689,731	558,269
Other income	<u>11,450</u>	<u>15,391</u>	<u>16,468</u>
Total revenues and other income	<u>\$2,385,917</u>	<u>\$1,825,390</u>	<u>\$1,687,513</u>
<u>Expenses</u>			
Ambulance operations, excluding uncollectible accounts	\$1,410,013	\$1,337,336	\$1,288,742
Urgent care	651,305	418,515	222,836
Interest expense	<u>465</u>	<u>11</u>	<u>3,738</u>
Total expenses	<u>\$2,061,783</u>	<u>\$1,755,862</u>	<u>\$1,515,316</u>
Change in net position	324,134	69,528	172,197
Net position, beginning of year, original	<u>1,497,151</u>	<u>1,427,623</u>	<u>1,255,426</u>
Cumulative effect of pension accounting change	(566,995)	--	--
Net position, beginning of year, restated	<u>930,156</u>	<u>1,427,623</u>	<u>1,255,426</u>
Net position, end of year	<u>\$1,254,290</u>	<u>\$1,497,151</u>	<u>\$1,427,623</u>

- a. At the close of FY2015, the District's single proprietary fund reported combined ending net position of \$1,254,290, a decrease of \$242,861 in comparison with the prior year. Unrestricted net position (\$599,075) is comprised of all District assets less District liabilities, except for the capital assets owned by the District which are used in operations and unavailable for spending.
- b. The District's total liabilities increased \$652,111 to \$795,245 during FY2015, primarily as a result of future funding of the Governmental Accounting Standards Board requirement that unfunded pension liabilities be a part of the Balance Sheet.
- c. At the close of FY2015, the District reported ending net position of \$1,497,151, an increase of \$69,528 in comparison with the prior year. Unrestricted net assets (\$821,932) are principally comprised of cash (\$638,814, or 78%) with the balance represented by other net working capital (accounts receivable and other current assets, less current liabilities).
- d. The District's total liabilities decreased \$2,529 to \$143,134 during FY2015.
- e. At the close of FY2014, the District reported ending net position of \$1,497,151, an increase of \$69,528 in comparison with the prior year. Unrestricted net assets (\$821,932) are principally comprised of cash (\$713,034, or 87%) with the balance represented by other net working capital (accounts receivable and other current assets, less current liabilities).
- f. The District's total liabilities decreased \$2,529 to \$143,134 during FY2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- g. The primary events affecting the change in net position during FY 2014 (prior year) were an increase in ambulance billings associated with retroactive payments for MediCal patients under the Ground Emergency Medical Transport program, offset by consulting fees for the enhanced medical services project.

CAPITAL ASSET AND DEBT ADMINISTRATION

- **Capital Assets.** During FY2015, the District sold an ambulance, with little impact on the net investment in capital assets since the ambulance was fully depreciated.
- **Long-term debt.** At the end of FY2015, the District had long-term liabilities outstanding of \$507,883, an increase of \$507,883 from FY2014, which consisted exclusively of the net pension liability that was recognized due to the implementation in FY2015 of GASB Statement 68. At the end of FY2014, the District had no long-term debt, a decrease of 38,653 from FY2013.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Coast Life Support District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Coast Life Support District, PO Box 1056, Gualala, CA 95445.

COAST LIFE SUPPORT DISTRICT

Statements of Net Position

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
<i>Current Assets:</i>		
Cash and investments	\$ 638,814	\$ 713,034
Accounts receivable	793,320	168,384
Less allowance for doubtful accounts	(299,512)	(72,236)
Receivable - special and ad valorem taxes	61,570	46,320
Due from other governments	199,132	82,277
Prepaid expenses and other current assets	51,189	27,287
Total Current Assets	<u>1,444,513</u>	<u>965,066</u>
<i>Property and Equipment:</i>		
Land	76,500	76,500
Buildings, improvements, and equipment	1,231,659	1,309,054
Less accumulated depreciation	(652,944)	(710,335)
Total Property and Equipment, net	<u>655,215</u>	<u>675,219</u>
Total Assets	<u>2,099,728</u>	<u>1,640,285</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	<u>106,965</u>	<u>--</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 2,206,693</u></u>	<u><u>\$ 1,640,285</u></u>
Liabilities		
<i>Current Liabilities:</i>		
Accounts payable	\$ 190,297	\$ 51,740
Accrued wages and benefits	85,795	79,124
Cash collected for other entities	11,270	12,270
Total Current Liabilities	<u>287,362</u>	<u>143,134</u>
<i>Long-term Liabilities</i>		
Net pension liability, long-term portion	<u>507,883</u>	<u>--</u>
Total Liabilities	<u>795,245</u>	<u>143,134</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	<u>157,158</u>	<u>\$ --</u>
Net Position		
Net investment in capital assets	655,215	675,219
Unrestricted	599,075	821,932
Total Net Position	<u>1,254,290</u>	<u>1,497,151</u>
Total Liabilities, Deferred Inflows, and Net Position	<u><u>\$ 2,206,693</u></u>	<u><u>\$ 1,640,285</u></u>

The accompanying notes are an integral part of these financial statements.

COAST LIFE SUPPORT DISTRICT

Statements of Revenues, Expenses and Changes in Net Position For the years ended June 30, 2015 and 2014

	2015	2014
Operating Revenue		
Ambulance billings	\$ 825,789	\$ 689,731
Other operating income	8,955	10,059
Total Operating Revenues	<u>834,744</u>	<u>699,790</u>
Operating Expenses		
<i>Ambulance services</i>		
Salaries	787,588	738,594
Employee benefits	238,769	257,688
Insurance	12,829	11,873
Office expense	9,644	4,259
Professional expenses	90,515	84,981
Dispatch services	29,516	26,140
Travel	1,376	177
Vehicle expense	78,932	73,772
Crew housing expenses	31,095	32,236
Training expense	28,544	26,320
Other	35,075	10,834
Depreciation	66,130	70,462
Total Ambulance Services	<u>1,410,013</u>	<u>1,337,336</u>
<i>Urgent care</i>		
Salaries and benefits	19,709	27,867
Election expense	--	16,556
Other services and supplies	6,840	223,408
UC Contract	624,756	150,684
Total Urgent care	<u>651,305</u>	<u>418,515</u>
Total Operating Expenses	<u>2,061,318</u>	<u>1,755,851</u>
Operating Income (Loss)	<u>(1,226,574)</u>	<u>(1,056,061)</u>
Other Income (Expense)		
Special and ad valorem taxes	1,548,678	1,120,268
Interest income	2,066	4,009
Interest expense	(465)	(11)
Donations	429	1,323
Total Other Income (Expense)	<u>1,550,708</u>	<u>1,125,589</u>
Change in net position*	<u>324,134</u>	<u>69,528</u>
Net Position, Beginning of Year, as Originally Stated	1,497,151	1,427,623
Cumulative effect of pension accounting change (see Note 9)*	(566,995)	--
Net Position, Beginning of Year, as Restated	<u>930,156</u>	<u>1,427,623</u>
Net Position, End of Year	<u>\$ 1,254,290</u>	<u>\$ 1,497,151</u>

* If the accounting change had been in effect for the fiscal year ended June 30, 2014, net position for that year would have increased by \$87,484 instead of the \$69,528 shown above.

The accompanying notes are an integral part of these financial statements.

COAST LIFE SUPPORT DISTRICT

Statements of Cash Flows For the years ended June 30, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Cash received from ambulance services	\$ 311,274	\$ 606,675
Cash received from other services	8,955	10,059
Cash payments to suppliers for goods and services	(834,467)	(630,445)
Cash payments to employees for services	(800,626)	(760,468)
Cash payments for payroll taxes and employee benefits	(247,688)	(257,688)
Net Cash Provided (Used) by Operating Activities	<u>(1,562,552)</u>	<u>(1,031,867)</u>
Cash Flows from Non-Capital Financing Activities		
Property taxes and special assessments received	1,533,428	1,118,151
Donations received	429	1,323
Cash collected for (paid to) other entities	(1,000)	--
Net Cash Provided by Noncapital Financing Activities	<u>1,532,857</u>	<u>1,119,474</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(46,126)	(46,689)
Interest paid - long-term debt	(465)	(3,288)
Principal paid - long-term debt	--	(38,653)
Net Cash Provided (Used) from Capital and Related Financing Activities	<u>(46,591)</u>	<u>(88,630)</u>
Cash Flows from Investing Activities		
Interest received	2,066	4,009
Net Cash Provided (Used) from Investing Activities	<u>2,066</u>	<u>4,009</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (74,220)	 2,986
 Cash and Cash Equivalents - Beginning of Year	 <u>713,034</u>	 <u>710,048</u>
 Cash and Cash Equivalents - End of Year	 <u><u>\$ 638,814</u></u>	 <u><u>\$ 713,034</u></u>

The accompanying notes are an integral part of these financial statements.

COAST LIFE SUPPORT DISTRICT

Statement of Cash Flows (continued) For the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (1,226,574)	\$ (1,056,061)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	66,130	70,462
Change in assets, deferred outflows, liabilities, and deferred inflows:		
(Increase) decrease in accounts receivable	(624,936)	(30,280)
Increase (decrease) in allowance for doubtful accounts	227,276	29,501
(Increase) decrease in due from other governments	(116,855)	(82,277)
(Increase) decrease in prepaid expenses and other assets	(23,902)	(2,613)
Increase (decrease) in accounts payable	138,557	33,408
Increase (decrease) in accrued wages & benefits	6,671	5,993
Change in net pension liability and deferred outflows and inflows related to pensions	(8,919)	--
Net Cash Provided by Operating Activities	<u>\$ (1,562,552)</u>	<u>\$ (1,031,867)</u>

The accompanying notes are an integral part of these financial statements.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

The Coast Life Support District (the "District"), is a special district created by California Assembly Bill No. 4227, signed into law by the Governor on July 16, 1986. The purpose of the District is to provide basic and advanced emergency medical services, including ambulance and life support services to a specified area of Sonoma and Mendocino Counties. In addition, the District provides medical training to fire agencies and other first responders in the District's response area. The District promotes cardiopulmonary and other resuscitation (CPR) training and conducts both CPR and first aid classes for public safety personnel and the general public. In 1997, the District's scope was increased to fill the need to financially support local health care facilities. The District now collects tax revenue and provides urgent care through a contract with Redwood Coast Medical Services (RCMS). The District's financial statements include the financial position and results of operations of the Coast Life Support District. A review of other units of local government, using the criteria set forth in generally accepted accounting principles, indicates there are no additional entities or funds for which the District has reporting responsibilities. Management has determined that the District should not be considered a part of any unit of local government for reporting purposes for the following reasons.

1. The District has separate legal standing from all other units of government.
2. No primary government selects the voting majority of the District's Board of Directors.
3. The District is fiscally independent of all other units of local government. The District's Board of Directors has sole authority to make financial decisions including levy taxes, establish rates, and issue bonded debt, subject, in some cases, to voter approval.
4. Exclusion of the District's financial statements from the financial statements of other units of local government would not cause the latter to be misleading or incomplete.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation and Accounting

The District is a single-enterprise proprietary fund and uses the accrual basis of accounting. Proprietary funds are used to account for operations that are financed in a manner similar to private enterprise and where a periodic determination of revenue earned, expense incurred and/or change in net position is appropriate for capital maintenance, public policy, management control, accountability or other purposes. This enables the District to determine the extent to which user charges paid by customers covers the cost (expenses, including depreciation) of providing the service. Also, if the governing board elects not to recover the cost by user charges, enterprise fund accounting indicates the amount of subsidy for service which must be financed from taxes or other sources. Under this method, revenues are recognized when earned and expenses are recognized as soon as they result in liabilities for the benefits provided.

The financial statements are prepared on the basis of Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements, Management Discussion and Analysis for State and Local Governments and related standards. This statement provides for a presentation of net position as well as an inclusion of a management's discussion and analysis, supplementary information, and other elements of disclosure in the financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection to the proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to the customers in the form of ambulance services. Operating expenses include the cost of providing the ambulance services, administrative expenses and depreciation on capital assets. Ad valorem tax revenues, special taxes, grants used to finance operations, and expenses not directly related to the provision of the ambulance services and the accomplishment of the District's primary purposes are reported as the non-operating revenues and expenses.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus

Measurement focus is a term to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. Proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, change in net position, financial position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

Cash and Investments

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents. Investments are carried at fair value.

Accounts Receivable

A provision for doubtful accounts has been established because the District incurs significant write-offs of billed receivables. The District accepts payment by Medicare and Medi-Cal as required by law. Such acceptance results in significant write-offs of billed ambulance receivables. Write-offs necessitated by the acceptance of Medicare and Medi-Cal are recorded as deductions to ambulance revenue because the District was never legally entitled to collect the full amount from these patients. When receivables billed directly to the ambulance customers are deemed uncollectible, they are submitted to a collection agency and written off as bad debt at that time. The District reviews actual collections of its ambulance receivables after the end of the year. The allowance for doubtful accounts is based on the amounts written off after year-end, plus estimates of future write-offs, for items that were included in the receivable balance as of June 30.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivable – special and ad valorem taxes

This receivable represents amounts of ad valorem property taxes and special taxes that have been received by Mendocino County, but not submitted to the District until after the balance sheet date.

Due from other governments

This receivable represents amounts owed to the District under the Ground Emergency Medical Transport (GEMT) and InterGovernmental Transfer (IGT) programs, for supplemental reimbursement under California's state MediCal program.

Prepaid Expenses and Other Current Assets

Prepaid expenses consist of normal operating expenses for which payment is due in advance, such as liability and property insurance, prepayments to payroll service providers, and membership dues, and are recorded as an expense when benefit is received. The total also includes advances to employees and pending overpayments to taxing agencies.

Capital Assets

The District's capital assets include plant and equipment capitalized at total acquisition cost, provided such cost exceeds \$5,000 and the expected useful life exceeds 3 years. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

Building and Improvements	30 years
Equipment	5 to 10 years

Maintenance and repairs are expensed as incurred. Significant additions and betterments are capitalized and depreciated over their estimated useful lives.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Collected for Other Entities

The District collects cash donations for the maintenance and operation of the Automated Weather Observation System (AWOS) at the Sea Ranch airport. The District has also collected donations for the Neighborhood Emergency Support Team and the certification individuals receive after being trained in disaster preparedness (NEST/CERT). Disbursements to both programs are made at the request of the respective agencies when repairs are needed for equipment, or when the agency purchases new equipment. The District is simply a bank for each of these agencies.

Compensated Absences

It is the District's policy to permit permanent full time employees to take paid personal time off (PTO), subject to a maximum accrual of PTO earned during the most recent twenty-four month period. Upon the termination of employment, employees will be paid any unused PTO benefits. The compensated absences liability balance is not material and is included with accrued wages and benefits on the balance sheet.

Allocation of Wages

Due to significant time requirements to administer the urgent care program, ten percent of the Operations Manager's gross pay and benefits is classified as the cost of providing urgent care to local residents, and twenty percent of the gross pay and benefits of the District Administrator is also reclassified in the same fashion.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of Net Position

The statement of net position is designed to report the financial position of the District at the balance sheet date. The District's fund equity (net position) shown on this statement is separated into the categories defined as follows:

- *Net investment in capital assets* - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets. This category of net position is considered non-expendable.
- *Unrestricted Net Position* - This component of net position consists of net position that do not meet the definition of invested in capital assets, net of related debt and do not have restrictions placed upon them by outside parties or through enabling legislation. The District's Board of Directors may designate portions of unrestricted net position for particular purposes.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents the results of operations of the District's single enterprise fund for the current period. Revenues are reported by major source, net of uncollectible amounts. Operating revenues and expenses are presented separately from non-operating items and an operating income subtotal is presented prior to adjustment for non-operating items.

Operating and Non-operating Revenues and Expenses

The District's primary purposes are to provide basic and advanced emergency medical services and urgent care. Operating expenses include those costs incurred to accomplish the District's primary purposes. These costs include salaries and benefits, professional and vehicle expenses, a provision for uncollectible accounts, and depreciation on capital assets. Operating revenues, consisting primarily of ambulance billings, are earned directly in exchange for accomplishing the District's primary purposes. Revenues from property taxes, grants, donations, and interest income are considered non-operating revenues.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted and Unrestricted Resources

When the District incurs an expense for which both restricted and unrestricted resources are available, restricted resources are used first followed by unrestricted resources.

Property Tax Revenue

The District covers a geographic area that includes parts of both Mendocino and Sonoma counties, and receives ad valorem property taxes and special taxes collected by both counties. The counties are responsible for assessing, collecting and distributing property taxes in accordance with state law.

The property tax calendar is as follows:

Lien date:	January 1
Levy date:	July 1
Due date:	First installment – November 1 Second installment – February 1
Delinquent date:	First installment – December 10 Second installment – April 10

The special tax is a type of flat charge applied to each parcel of property within the District, regardless of the property value. A special tax approved by the voters in the District on April 10, 2012 established the current tax of \$44 per unit of benefit per year for emergency services. In June 1997 the voters in the District also approved a special tax to fund after hour urgent care availability for the residents of the District at the rate of \$18 for undeveloped parcels, and \$36 for developed parcels. On April 10, 2012, the voters approved a measure broadening the purpose of this tax by dropping the “after hours” restriction with the intention that the tax also be used to provide daytime urgent care services, but with no change to the tax rate. In April 2014, voters in the District passed Measure J authorizing an increase in the special tax for urgent care from \$18 per unit of benefit to a maximum of \$74 per unit of benefit. This April 2014 increase will not impact the District financially until the 2014-2015 fiscal year.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Total ad valorem and special taxes collected by the counties of Sonoma and Mendocino are as follows for the fiscal years ended June 30:

	<u>2015</u>	<u>2014</u>
Mendocino County	\$ 888,854	\$ 662,007
Sonoma County	659,824	458,261
	<u>\$ 1,548,678</u>	<u>\$ 1,120,268</u>

Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results may differ from those estimates.

Impact of New Accounting Pronouncement

The District implemented GASB Statement 68 in its financial statements for the year ended June 30, 2015. The standard changes the way liabilities for defined benefit pensions are calculated for financial reporting purposes and requires reporting of certain deferred inflows and outflows of resources related to pensions that were not previously reported. Under previous standards, no pension liability was recognized as long as an entity consistently made the actuarially determined required contributions under the plan. Beginning with the June 30, 2015 financial statements, the District is required to measure its pension liability using the present value of projected benefits attributable to employee service performed as of the date of the financial statements, less an allowance for the plan assets available to finance those benefits.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 2. CASH AND INVESTMENTS

Cash and investments consisted of the following amounts as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash on hand and in checking accounts	\$ 580,996	\$ 95,718
Investments		
Cash in Sonoma County Treasury	<u>57,818</u>	<u>617,316</u>
Total Cash and Investments	<u>\$ 638,814</u>	<u>\$ 713,034</u>

Deposits

At June 30, 2015 and 2014, the recorded amount of the District's deposits is shown above. Checking account balances are covered up to a maximum of \$250,000 per financial institution by either the National Credit Union Share Insurance Fund (NCUSIF) or the Federal Deposit Insurance Corporation (FDIC). Balances in excess of this limit, are covered by the multiple financial institution collateral pool that insures public deposits.

Investments

In accordance with its enabling legislation, the District had designated the Treasurer of Sonoma County to hold all monies of the District, with the exception of the deposit account at a local financial institution discussed above. During the spring of 2015, the District decided to transfer its funds from the County Treasury to a bank account. By limiting its investments to the Sonoma County Treasurer's investment pool or bank accounts, managed in accordance with the California Government Code, the District minimizes its exposure to custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The Sonoma County Treasury is invested by the Treasurer in accordance with the County's Statement of Investment Policy. The Treasurer's investments are overseen by an Investment Oversight Committee consisting of one representative of the County Board of Supervisors, the County Superintendent of Schools or his or her representative, one representative of County school districts, one representative of County special districts, and one representative of the Sonoma

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 2. CASH AND INVESTMENTS (continued)

Retirement Board. The Sonoma County Treasury is not rated by any widely recognized investment rating agency. At June 30, 2015 and 2014, respectively, approximately 50.6% and 54.7% of the investment pool consisted of securities issued by federal agency issuers such as Federal National Mortgage Association, Federal Home Loan Bank, and Federal Farm Credit Bank. The fair value of the District's position in the Sonoma County Treasurer's pool is approximately equivalent to the value of the pool shares.

Complete disclosures on the Sonoma County Treasurer's investment pool are available in the Comprehensive Annual Financial Report (CAFR) of the County of Sonoma, which is available on the website of the Sonoma County Auditor-Controller-Treasurer-Tax Collector at http://www.sonoma-county.org/auditor/financial_reports.htm#top.

Note 3. AMBULANCE REVENUE ALLOWANCES

The ambulance billing revenue recognized in the Statement of Revenues, Expenses, and Changes in Net Position is reported net of write-offs for uncollectible accounts of \$175,389 and \$187,510, respectively, for the fiscal years ended June 30, 2015 and 2014.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 4. CAPITAL ASSETS

A summary of changes in property and equipment and the related accumulated depreciation for the years ended June 30, 2015 and 2014 is as follows:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Land	76,500	-	-	76,500
Building and Improvements	694,004	35,823	-	729,827
Less Accumulated Depreciation	(306,716)	(26,487)	-	(333,203)
Equipment	615,050	10,303	(123,521)	501,832
Less Accumulated Depreciation	(403,619)	(39,643)	123,521	(319,741)
Totals	675,219	(20,004)	-	655,215

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Land	76,500	-	-	76,500
Building and Improvements	679,524	14,480	-	694,004
Less Accumulated Depreciation	(283,165)	(23,551)	-	(306,716)
Equipment	614,669	32,209	(31,828)	615,050
Less Accumulated Depreciation	(388,536)	(46,911)	31,828	(403,619)
Totals	698,992	(23,773)	-	675,219

Note 5. CAPITAL LEASES

On September 20, 2004, the District entered into a lease agreement with the Government Capital Corporation for the purpose of acquiring an ambulance. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 5. CAPITAL LEASES (continued)

which transfers benefits and risks of ownership to the lessee. The ambulance acquired by this lease has been capitalized, in the amount of \$115,039, which represents the present value of future minimum lease payments at the time of the acquisition. Principal payments during the fiscal year ended June 30, 2014 were \$13,843 and interest paid was \$715, with the lease being fully repaid as of June 30, 2014. The ambulance was sold in April 2015. The effective annual interest rate per year on the capital lease is 5.169 percent.

On August 29, 2008, the District entered into a lease agreement with De Lage Landen Public Finance, LLC, for the purpose of acquiring a new copier. This lease meets the criteria of a capital lease as defined above. The copier acquired by this lease has been capitalized, in the amount of \$8,482, the present value of future minimum lease payments of \$165.20 per month beginning September 29, 2008 and ending August 29, 2013. Due to timing differences, not all years have exactly 12 payments. Principal payments during the fiscal year ended June 30, 2014 were \$328 and interest paid was \$2, with the lease being fully repaid as of June 30, 2014. The copier was replaced in July 2014. The cost of the leased assets and the accumulated depreciation attributable to them are as follows:

	<u>Ambulance</u>	<u>Copier</u>	<u>Total</u>
Cost	\$ 115,039	\$ 8,482	\$ 123,521
Less Accumulated Depreciation at June 30, 2014	<u>(115,039)</u>	<u>(8,482)</u>	<u>(123,521)</u>
Remaining Book Value at June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 6. LONG-TERM LIABILITIES

During the year ended June 30, 2009, the District acquired an ambulance, including the necessary radio equipment and a cardiac monitor, for a total capitalized cost of \$112,312. This acquisition was financed by an installment note payable to the Municipal Finance Corporation for the same amount, and is collateralized by the equipment acquired. The note is payable in annual installments of \$25,584, including interest at the rate of 4.5 percent per year. This note was repaid during the year ended June 30, 2014.

Changes in the District's long-term obligations during the years ended June 30, 2015 and 2014 were as follows:

	Balance June 30, 2014	Addition	Reduction	Balance June 30, 2015	Amount Due in One Year
Net pension liability	\$ -	\$ 507,883	\$ -	\$ 507,883	\$ -

	Balance June 30, 2013	Addition	Reduction	Balance June 30, 2014	Amount Due in One Year
Note Payable	\$ 24,482	\$ -	\$ 24,482	\$ -	\$ -
Capital Lease- Amb.	13,843	-	13,843	-	-
Capital Lease-Copier	328	-	328	-	-
	<u>\$ 38,653</u>	<u>\$ -</u>	<u>\$ 38,653</u>	<u>\$ -</u>	<u>\$ -</u>

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 7. OPERATING LEASE

Effective July 1, 2010, the District entered into an operating lease with the Redwood Coast Fire Protection District (RCFPD) to house an ambulance in Point Arena or Manchester. The lease agreement is for five-year period ending June 30, 2015, and can only be terminated or amended by the mutual agreement of both parties to the lease. RCFPD will consider negotiating a new lease at the end of the five-year period. The projected minimum lease payments for the year ending June 30, 2015 are \$2,751.

Note 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District covers these risks of loss through the purchase of commercial insurance. Settlements have not exceeded insurance coverage in any of the last three years.

Note 9. PENSION PLAN

(1) Pension Liability Under New GASB 68 Standard

The District's Statement of Net Position for the year ended June 30, 2015 includes, for the first time, a net pension liability. This liability was placed on the books due to a change in accounting standards (GASB Statement No. 68), but it does not represent a sudden deterioration in the District's actual financial condition. In fact, if implementation of the standard had been required one year ago and the District had used this new method of accounting for the pension liability in its prior year financial statements for the year ended June 30, 2014, the net pension liability would have been \$157,158 higher than it is as of June 30, 2015. Most local governments with defined benefit pension plans are seeing significant accounting adjustments this year as a result of the implementation of this new standard. The cumulative effect of accounting change reported in the Statement of Revenues, Expenses, and Changes in Net Position represents a one-time adjustment necessary to implement the standard.

The net pension liability represents the District's obligation to fully fund the pensions of its current and prior employees based on the service they provided to the District over a number of prior years. In the past, accounting standards required that no liability be shown for this obligation, even though it did legally exist, as long as the District made its required contributions to the pension plan each year. This resulted in reporting pension expense each year that included both the cost of offering pension benefits to the District's current employees for services they performed that year as well as catch-up

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 9. PENSION PLAN (continued)

contributions related to prior year employee service. The new standard improves the accounting for annual pension expense because the recognition of the net pension liability eliminates the need to include catch-up contributions in current year pension expense. The pension expense recognized by the District each year will now be designed to capture only the cost of providing pension benefits to employees related to their service in the current year, with a few adjustments necessitated by varying investment returns and other conditions. As a result, the District's pension expense recognized under GASB 68 will generally be lower than what has previously been recognized.

(2) Plan Description

The Coast Life Support District Employee Retirement Plan (Plan) is a cost-sharing multiple-employer defined benefit plan administered by the California Public Employees' Retirement System (CalPERS). The Plan was organized, effective July 2000 under the authority of the California Public Employees' Retirement Law (Law) and is also the authority for plan amendments and contributions from both the employees and their employers. The Law is documented in the California Government Code between section 20000 and 22958. CalPERS uses the "entry age normal" method to calculate the actuarial present value of total projected benefits. District employees are eligible to participate in the plan if they are classified as permanent full-time employees. The Plan is actually comprised of two plans; a safety plan with eight members who provide emergency ambulance services, and a miscellaneous plan with two members who have administrative duties. The District's plan is part of both the Miscellaneous and Safety pools within the CalPERS system. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through the approval of the District's Board of Directors.

Benefits include a periodic pension payment upon retirement. Employees with at least 5 years of service credit, that are permanently incapacitated from performing their duties, are eligible for disability retirement at the rate of 1.8 percent of final compensation for each year of service. Annual cost of living adjustments are provided. The Plans also provide for death and survivor benefits. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information, and detailed information about the plans' fiduciary net position that can be found on the CalPERS website at <http://www.calpers.ca.gov/>

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 9. PENSION PLAN (continued)

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 62
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	13.223%	6.25%
	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits , as a % of eligible compensation	1.426% - 2%	1.426% - 2%
Required employee contribution rates	7%	9.5%
Required employer contribution rates	19.688%	9.5%

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 9. PENSION PLAN (continued)

(3) Funding Policy

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

	Safety Plan		Miscellaneous Plan	
	Employee	District	Employee	District
Hired On or After 01/01/2013	9.500%	9.500%	6.250%	6.250%
Hired Prior to 01/01/2013				
Paid During 2013-2014	7.000%	19.427%	7.000%	15.773%
Paid During 2012-2013	7.000%	19.223%	7.000%	15.080%

For the year ended June 30, 2015, the employer contributions recognized as deferred outflows were \$93,734

The annual pension cost to the District was \$98,046 for the year ended June 30, 2014 and is equal to the required contributions for that year. There was no pension obligation at June 30, 2014 under the standards of GASB Statement 27 in effect at that time, but a liability would have been recorded had GASB Statement 68 been implemented early.

Initial plan unfunded liabilities are amortized over a closed period equal to the average amortization period at the plan's date of entry into the CalPERS risk pool. Subsequent plan amendments are amortized as level percentage of pay over closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30-year period. If the Plan's accrued liability exceeds the actuarial value of the plan asset, then the amortized payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 9. PENSION PLAN (continued)

(4) Annual Pension Cost and Net Pension Obligation

Beginning with the fiscal year ended June 30, 2015, the District's net pension liability for each Plan is measured as the proportionate share of the total net pension liability for all employers in the plan. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability the Plans as of June 30, 2015 and 2014 was approximately 0.0082%.

For the year ended June 30, 2015, the District recognized pension expense of \$84,815. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 93,734	\$
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	13,231	33,873
Net differences between projected and actual earnings on plan investments		123,285
Total	106,965	157,158

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 9. PENSION PLAN (continued)

\$93,734 is reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	
June 30	
2016	\$37,876
2017	37,876
2018	37,876
2019	30,300
2020	
Thereafter	

The total pension liabilities in the June 30, 2013 actuarial valuations that were used to determine the June 30, 2015 net pension liability shown in these financial statements were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry age normal cost method
Actuarial Assumptions	
Discount Rate	7.5%*
Investment Rate of Return	7.50% (net of administrative expenses; includes inflation)**
Projected Salary Increases	Varies by Entry Age and Service
Inflation	2.75%
Mortality Rate Table	Based on CalPERS membership data for all funds***
Payroll Growth	3.00%
Post Retirement Benefit Increases	Cost of Living Adjustments per contract up to 2% until Purchasing Power Protection Allowance Floor on Purchasing Power applied, 2.75% thereafter

*The **discount rate** used to measure the total pension liability was 7.50% for each Plan.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 9. PENSION PLAN (continued)

Expectations about future cash flows used in the development of the discount rate assume that both members and employers will make all required contributions on time and as scheduled in all future years. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF) and all periods of projected benefits. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS changes its methodology.

****The long-term expected rate of return on pension plan investments** was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 9. PENSION PLAN (continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		
(a) An expected inflation of 2.5% used for this period.			
(b) An expected inflation of 3.0% used for this period.			

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 9. PENSION PLAN (continued)

***The underlying **mortality assumptions** and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as estimated amounts for what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Discount Rate	6.50%	7.50%	8.50%
Net Pension Liability	791,041.70	507,883.00	272,884.52

The District's annual pension cost and net pension obligation (asset) for its CalPERS retirement plan for fiscal year 2014 and the three preceding fiscal years are presented below:

	June 30,			
	2014	2013	2012	2011
Annual required contribution	\$ 98,046	\$ 105,677	\$ 104,861	\$ 71,400
Interest on net pension obligation (asset)	--	--	--	--
Adjustment to annual required contribution	--	--	--	--
Annual pension cost	98,046	105,677	104,861	71,400
Contributions made	(98,046)	(105,677)	(104,861)	(71,400)
Increase (decrease) in net pension obligation (asset)	--	--	--	--
Net pension obligation (asset), beginning of year	--	--	--	--
Net pension obligation (asset), end of year	\$ --	\$ --	\$ --	\$ --

The required contribution was based on CalPERS June 30, 2011 actuarial valuation with the contributions determined as a percent of pay. Valuations as of later dates were performed to determine contribution rates for subsequent fiscal years.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 9. PENSION PLAN (continued)

A summary of the principal assumptions and methods used to determine the contractually required contribution for the fiscal year ended June 30, 2014 is as follows:

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Level percent of payroll
Average Remaining Period	17 Years as of the valuation date
Asset Valuation Method	15 Year smoothed market
Actuarial Assumptions	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on age, service and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

(5) Funded Status and Funding Progress

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Because the District has fewer than 100 employees participating in the retirement plans, CalPERS requires the District to participate in the Safety and Miscellaneous Plans administered by CalPERS. The schedule of Funding Progress presents the total assets and liabilities of the Safety and Miscellaneous pooled funds at CalPERS.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 10. PROPOSITION FOUR/GANN APPROPRIATIONS LIMIT

The Proposition Four appropriations limit (also known as the Gann Limit) creates a restriction on the amount of revenue that can be appropriated in any fiscal year. Only revenues that are "proceeds of taxes" are subject to limitation. The basis for calculating the limit began in 1978-79 for all California government entities and is calculated each year based on population changes and inflation. Government Code Section 7910 requires a local government to establish its appropriations limit by resolution each year, at regularly scheduled or noticed special meeting. The District is also required to formally adopt the two variables used in the calculation, which are the cost-of-living change factor and the population change factor.

From base-year recognition of special tax proceeds of \$300,000 in 1986-87, the current year calculations of the limit for the two years ended June 30, 2015 and 2014 are as follows:

<u>Fiscal Year</u>	<u>Base Limit</u>	<u>Cost-of- living Factor</u>	<u>Population Factor</u>	<u>Additional Tax</u>	<u>Appropriations Limit For Year</u>
2012-13	1,058,594	1.0377	1.0052	225,300	1,329,515
2013-14	1,329,515	1.0512	1.0055		1,405,273
2014-15	1,405,273	0.9977	1.0039	436,995	1,844,504

The appropriations limit for both years ended June 30, 2015 and 2014 exceeds the actual tax revenue of the District for each year.

On April 10, 2012, the voters approved a temporary increase in the District's Proposition 4 Appropriations Limit equal to the additional taxes raised by the increase in the District's special tax from \$32 per unit of benefit to \$44 per unit of benefit. Unless the voters extend the increased appropriation limit after four years, the limit will revert to the amount it would have been if it had only been adjusted by the customary population change and inflation factors without the temporary increase in each of the four years.

COAST LIFE SUPPORT DISTRICT

Notes to the Basic Financial Statements For the Years Ended June 30, 2015 and 2014

Note 11. CONTRACTUAL COMMITMENTS/URGENT CARE SERVICE.

In April 2014, voters in the District passed Measure J authorizing a special tax for urgent care at a maximum of \$74 per unit of benefit. In May 2014, the District entered into a contract with Redwood Coast Medical Services (RCMS) to provide urgent care services to the community for 10 hours each day, seven days per week for a five-year period beginning July 1, 2014 and ending June 30, 2019. The total contract amount is \$624,739 for the first year, with amounts for successive years to be negotiated by the parties. Equal payments to RCMS will be made monthly as the contract period progresses.

Prior to June 30, 2015, the District ordered an ambulance for a total cost of \$142,621. See the Subsequent Event Note below.

Note 12. SUBSEQUENT EVENT.

In December 2015, the District received the new ambulance it had previously ordered for \$142,621. The District financed the majority of the purchase with a loan in the amount of \$132,431 to be repaid over 5 years at 3.742% interest.

REQUIRED SUPPLEMENTARY INFORMATION

COAST LIFE SUPPORT DISTRICT

Required Supplementary Information--Unaudited
For the Years Ended June 30, 2015 and 2014

Schedule of the District's Proportionate Share of the Net Pension Liability

Year Ended June 30,	Proportion of net pension liability	Proportionate share of net pension liability	Covered employee payroll	Proportionate share of the net pension liability as a % of covered employee payroll	Plan fiduciary net position as a % of the total pension liability
2014	0.00816%	\$ 507,883	\$ 612,277	82.95%	80.14%

Although GAAP require a 10-year history of the above information, the data is available only for periods since the implementation of GASB 68. As the years progress, the data will be accumulated until the full 10 years are presented.

Schedule of Contributions

Year Ended June 30,	Contractually required contribution (actuarially determined)	Contributions in relation to the actuarially determined contributions	Contribution deficiency (excess)	Covered employee payroll	Contributions as a % of covered employee payroll	Valuation Date
2014	\$ 98,046	\$ (98,046)	\$ -	\$ 612,277	16.01%	6/30/2012

Although GAAP require a 10-year history of the above information, the data is available only for periods since the implementation of GASB 68. As the years progress, the data will be accumulated until the full 10 years are presented.

A summary of the principal assumptions and methods used to determine the contribution rates presented above for the relevant valuation date is below:

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Level percent of payroll
Average Remaining Period	7 Years as of the valuation date
Asset Valuation Method	15 Year smoothed market
Actuarial Assumptions	
Investment Rate of Return	7.5% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on age, service and type of employment
Inflation	2.75%
Payroll Growth	3.00%

COAST LIFE SUPPORT DISTRICT

Required Supplementary Information--Unaudited For the Years Ended June 30, 2015 and 2014

Individual Salary Growth

A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Funding Progress of Pension Plan

The District participates with multiple employers in a pooled pension plan with CalPERS. The information below reflects the funding status of the plan as a whole, as the information is not available for individual members prior to the June 30, 2011 valuation date. The following information reflects the most recent actuarial valuations from CalPERS for the pooled plan:

Schedule of Funding Progress for the Combined Safety and Miscellaneous Plan Pools Administered by CalPERS

Beginning with the June 30, 2013 valuation date, CalPERS changed its method of calculating the unfunded liability to use the market value of plan assets rather than the actuarial value of assets. CalPERS also combined multiple safety plan pools and multiple miscellaneous plan pools into one single pool each for the safety and miscellaneous plans. As a result, information on the funded status of the pooled plans as of the June 30, 2013 is not comparable the funded status information presented for prior valuation dates.

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Safety Plan Pool:</u>						
6/30/2013	\$ 12,092,373,658	\$ 16,086,316,273	\$ 3,993,942,615	75.2%	\$ 1,263,625,356	316.1%
<u>Miscellaneous Plan Pool:</u>						
6/30/2013	\$ 9,093,458,815	\$ 11,805,627,557	\$ 2,712,168,742	77.0%	\$ 1,909,639,449	142.0%

COAST LIFE SUPPORT DISTRICT

Required Supplementary Information--Unaudited For the Years Ended June 30, 2015 and 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Safety Plan Pool:</u>						
6/30/2010	\$ 69,069,025	\$ 80,550,533	\$ 11,481,508	85.7%	\$ 21,754,150	52.8%
6/30/2011	\$ 74,508,206	\$ 87,234,077	\$ 12,725,871	85.4%	\$ 21,957,452	58.0%
6/30/2012	\$ 75,003,561	\$ 84,829,856	\$ 9,826,295	88.4%	\$ 21,079,631	46.6%
<u>Miscellaneous Plan Pool:</u>						
6/30/2010	\$ 2,946,408,106	\$ 3,309,064,934	\$ 362,656,828	89.1%	\$ 748,401,352	48.5%
6/30/2011	\$ 3,203,214,899	\$ 3,619,835,876	\$ 416,620,977	88.5%	\$ 759,263,518	54.9%
6/30/2012	\$ 3,686,598,343	\$ 4,175,139,166	\$ 488,540,823	88.3%	\$ 757,045,663	64.5%

Prior to the June 30, 2011 valuation date, funding status information for the District's separate portion of the multiple-employer, pooled pension plan was not available. However, the information became available for June 30, 2011 and is presented below:

Schedule of Funding Progress for the District's Separate Portion of the Safety and Miscellaneous Plan Pools Administered by CalPERS

Actuarial Valuation Date	Share of Pool's Market Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Safety Plan Pool--Classic:</u>						
6/30/2011	\$ 1,238,808	\$ 1,608,351	\$ 369,543	77.0%	\$ 438,692	84.2%
6/30/2012	\$ 1,246,833	\$ 1,673,605	\$ 426,772	74.5%	\$ 430,613	99.1%
6/30/2013	\$ 1,497,191	\$ 1,856,597	\$ 359,406	80.6%	\$ 370,495	97.0%
<u>Safety Plan Pool--PEPRA:</u>						
6/30/2011	\$ 817	\$ 636	\$ (181)	128.5%	\$ 70,587	-0.3%
<u>Miscellaneous Plan Pool:</u>						
6/30/2011	\$ 124,162	\$ 180,988	\$ 56,826	68.6%	\$ 49,949	113.8%
6/30/2012	\$ 145,153	\$ 216,674	\$ 71,521	67.0%	\$ 128,937	55.5%
6/30/2013	\$ 181,093	\$ 250,517	\$ 69,424	72.3%	\$ 138,401	50.2%

COAST LIFE SUPPORT DISTRICT

Required Supplementary Information--Unaudited
For the Years Ended June 30, 2015 and 2014

Schedule of Employer Contributions (Coast Life Support District)

Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2011	71,400	100%
6/30/2012	104,861	100%
6/30/2013	105,677	100%
6/30/2014	98,046	100%

A summary of the principal assumptions and methods used to determine the funding progress data presented above for the most recent valuation date is below:

Valuation Date	June 30, 2013
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Level percent of payroll
Asset Valuation Method	Market Value
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on age,

OTHER REPORT

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors of the
Coast Life Support District
Gualala, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Coast Life Support District (the "District"), as of and for the year ended June 30, 2015, and have issued our report thereon dated May 17, 2016.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weakness or significant deficiencies. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 2015-1 and 2015-2 that we consider to be material weaknesses.

Coast Life Support District
May 17, 2016

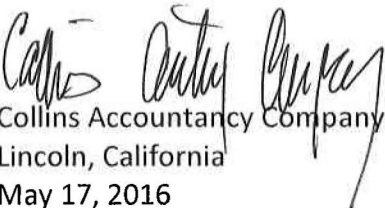
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the District's response and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Collins Accountancy Company
Lincoln, California
May 17, 2016

COAST LIFE SUPPORT DISTRICT

Schedule of Findings and Responses For the Year Ended June 30, 2015

Finding 2015-01: Segregation of Duties

Criteria

Best practices in internal control typically segregate responsibilities for preparing patient billings, writing off uncollectible accounts, processing incoming payments, preparing and authorizing vendor payments, posting general ledger entries, and financial reporting.

Condition

During the year ended June 30, 2015, for a majority of the year, the same person was responsible for receiving the mail, receiving payments and making deposits, paying vendor bills, making entries into the accounting records, and preparing financial reports.

We noted that the outside bookkeeper and the District Administrator provide oversight over these processes, however, this oversight may not be sufficient to mitigate the lack of segregation of duties during the year. On initial inquiry, we noted budgetary variances that were not readily explained, although we were ultimately able to determine the reason for the variances. We also noted that the current District Administrator has the ability to edit and post in the accounting records, although this access level is maintained only for emergency use in the event the bookkeeper is unavailable.

Cause

During fiscal year 2014-2015, the District was undergoing a management transition concurrently with major changes in its billing practices. Unanticipated challenges delayed the implementation of planned procedures. Due to the District's small size, opportunities to fully segregate duties are limited.

Effect or Potential Effect of Condition

When too much responsibility for various related accounting functions is consolidated in one individual without adequate compensating controls, the District is exposed to a higher risk of material misstatements.

Recommendation

We recommend that at least two different individuals have access to the District's bank account activity (either through direct online access or by receiving statements directly from the bank) and monitor the activity at least monthly to ensure the transactions are appropriate. We further recommend that the District continue its current practice of monitoring the billing contractor. We also recommend that the District's budget versus actual review encompass all

COAST LIFE SUPPORT DISTRICT

Schedule of Findings and Responses For the Year Ended June 30, 2015

Finding 2015-01: Segregation of Duties (continued)

Recommendation (continued)

accounts so that any variances that occur throughout the year can be readily explained. We recommend that the bookkeeper periodically review transactions posted by any other users by running reports to identify those transactions.

Views of Responsible Officials and Corrective Action Plan

Starting in FY 16, the new management team will assure the following processes:

1. Both the District Administrator and Operations Manager have access to the District's bank account (on-line access, review monthly bank statements, and sign checks).
2. The outsourced bookkeeper will reconcile monthly bank statements and prepare checks to pay expenses. This position does not sign checks.
3. The District Administrator (or designee, such as Operations Manager and Executive Assistant) will review month-end reports from the outsourced billing company and reconcile all claims have been billed, ambulance revenue is verified by actual deposits on the bank statements, review write-offs and contractual write-downs for reasonableness, resident discounts, etc.
4. The CLSD Billing and Collections Policy will be revised.
5. Summary reports will be provided to the Finance Sub-Committee for review of write-offs, claims processed to collections, etc.
6. The Finance Sub-Committee will make recommendations to the Board of Directors to review and approve accounting methods.
7. The District's budget versus actual will encompass all accounts to monitor variances throughout the year.

COAST LIFE SUPPORT DISTRICT

Schedule of Findings and Responses For the Year Ended June 30, 2015

Finding 2015-02: Yearend Closing Process

Criteria

Auditing standards indicate an auditor may not be considered part of a client's internal control system. The auditor is prohibited from taking direct responsibility for the financial statements under professional standards. Therefore, it is important for clients to develop and implement yearend closing procedures that ensure that significant adjustments are properly made to the financial statements.

Condition

During the audit, we proposed the following significant adjustments for the year ended June 30, 2015:

- Reversal of prior year accruals
- Reconciled the general ledger to the ambulance receivables and revenues recorded in the District's ambulance billing program and the amounts reported by the District's billing contractor
- Recorded the disposal of an ambulance on the books that was reflected on the depreciation schedule
- Reversed a journal entry posted between ambulance accounts receivable and tax revenue.

We also noted that there was limited opportunity to review the classification of expenses and budget-to-actual results after the bank reconciliations for the year had been completed, although we did not identify any misstatements that directly resulted from this particular condition.

Cause

There were significant changes in the District's management and challenges related to the transition of ambulance billing responsibilities that made the year end closing process much more difficult than usual.

Effect or Potential Effect

Without making the adjustments discussed above, the financials would be materially misstated.

Recommendation

We recommend that each of the balances on the Statement of Net Position (balance sheet) be compared to supporting reconciliations or other documentation and be assessed for

COAST LIFE SUPPORT DISTRICT

Schedule of Findings and Responses For the Year Ended June 30, 2015

Finding 2015-02: Yearend Closing Process (continued)

Recommendation (continued)

completeness prior to submission of the final trial balance to the auditor, with the bank reconciliations being completed first. We also recommend that the final financial statements be reviewed by the Finance Committee prior to submission to the auditor.

Views of Responsible Officials and Corrective Action Plan

As stated above, this FY saw significant changes in management and billing processes making the year end closing process difficult. The recommended adjustments above will be made for FY 15 year end. Reoccurrence of this finding in FY 16 is highly unlikely due to:

1. Stabilized management (new leadership)
2. Outsourced bookkeeping (consistent accounting)
3. Stabilized ambulance billing and reconciliation. The entire billing workflow has been analyzed and improved processes are already in place.